Experience mobility

Report on the First Quarter of 2005

elringklinger

ElringKlinger in the focus of the press

Wertpapier, April 14, 2005

Everything Automotive

[...] The customer base is broad. [...] It's no wonder, then, that over the last year the S-Dax listed Group has once again achieved record results for sales [...] and earnings [...]. Stockholders stand to pocket a dividend of €1.75, up 25 cents. [ElringKlinger] has paved the way for a healthy future. [The company] intends to expand into new business areas with fuel cell modules, heat shields and transmission plates.

Frankfurter Allgemeine Zeitung, March 30, 2005

Swabian Stockmarket Star

ElringKlinger's success on the stockmarket is extremely impressive. In just two years, this sleepy family-run company based in the Swabian Alb has transformed itself into a stockmarket star, with stock prices moving constantly onwards and upwards. There are two key factors in this success. Firstly, ElringKlinger has carved out a healthy position in the market with major automotive manufacturers throughout the world, and also profited from the high demand for diesel engines. Secondly, and seemingly just as important, the supplier also let potential investors know about their successes. [...]

Notes on the Compilation of this Quarterly Report

This interim report has been drawn up for the first time in line with the principles of the International Financial Reporting Standards (IFRS). Previous Annual Reports and Quarterly Reports have been drawn up in line with the stipulations of the German Commercial Code (HGB). All comparative figures relating to the first quarter of 2004 and to fiscal 2004 have been converted to IFRS. The annual financial statements for fiscal 2004, which have been drawn up in line with IFRS for comparative purposes, have been audited by the Stuttgart-based KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The interim financial statements at March 31, 2005 have been produced by the ElringKlinger Group and have not been provided with an audit certificate.

Dear stockholders and friends of ElringKlinger,

The first quarter of 2005 signaled a slight slow-down in global economic growth. The effects of this slow-down were felt particularly keenly in the global automotive markets, which are a key area for ElringKlinger. Manufacturers in Western Europe were the worst affected, suffering a further decline in domestic demand as well as a drop in export volumes for the first time.

Despite these negative influences, ElringKlinger's sales for the first quarter of 2005 remained the same year-on-year. The net income for the quarter was up almost 3%. ElringKlinger therefore held its own in the first quarter of 2005 in the face of a difficult economic climate.

April saw a slight upturn in the automotive markets. This trend is likely to continue throughout the year, enabling ElringKlinger to boost sales and earnings.

ElringKlinger stock also demonstrated a pleasing trend in the first quarter of 2005, rising by 14.2% between January 1, 2005 and March 31, 2005.

This quarterly report has been drawn up for the first time in line with the International Financial Reporting Standards (IFRS). The comparative figures from the previous year and the figures for the complete 2004 fiscal year have simply been transferred from HGB to IFRS. Relevant information on this matter can be found in the report. The transfer principles are explained in the notes section.

With this quarterly report, ElringKlinger provides comprehensive information about the current business situation of the ElringKlinger group of companies, therefore fulfilling the requirements of the German Corporate Governance Code and the capital markets.

We hope you enjoy reading the report.

Kind Regards

Stefan Wolf

Dr. Stefan Wolf

Economic Trend

Just as in 2004, the global economy was boosted in the first quarter of 2005 by the momentum of the US and Asian markets. However, the pace of growth slowed noticeably in the first three months of 2005 compared with the last quarter of 2004. The renewed sharp increase in oil and raw material prices was the main reason for the muted growth.

The eurozone, and Germany in particular, was unable to take advantage of the positive trend evident in the global economy. National economies in Europe are still lagging far behind in terms of growth rates.

No clear trend was established in Germany in the first quarter. While certain indicators such as industrial production and, following cutbacks, private consumption demonstrated slightly positive trends, the IFO business climate index fell in both February and March. Incoming orders were also down. The export business remains the mainstay of economic development, although this area has also lost some of its momentum. The downgrading of the economic outlook for the year as a whole by the economic research institutes was another cloud on the horizon for the economic climate in Germany.

The eurozone is expected to deliver a growth rate of between 0.2% and 0.6% in the first quarter of 2005. Weak domestic demand and dwindling exports, due largely to the strength of the euro, are the main causes of this weak development.

In the USA, growth has slowed compared with last year, but remains strong. With growth sticking at 3.1% in the first quarter, it was not possible to achieve the momentum of 2004 (4.4%) and the previous quarter (3.8%). The slowdown can be attributed to weaker consumer and corporate spending in the face of increased prices. Alongside increased energy costs, the main risk for the US economy is the high trade balance deficit.

Most national economies in Asia were also boosted in the first quarter by the momentum of the Chinese economy, which remains strong despite having slowed. Both export and consumption figures have increased again here. Japan has not followed this trend, and the mood there was bleak in the first quarter.

Automotive Markets

The automotive markets underperformed in the first quarter. Passenger car production and registration figures fell globally. Only commercial vehicle divisions posted growth rates.

In Germany, year-on-year the first quarter saw a 1.0% drop in passenger car production, to 1.3 million units. Even exports, which have been a mainstay of the German automotive market over the last year, fell by 4.0%.

In Europe, 2.9% fewer vehicles were manufactured in the first quarter of 2005 than in the same period of the previous year.

Following steady growth in recent years, the first quarter of 2005 saw a slight decline in passenger car production figures in the USA for the first time. Both here and in the NAFTA region, production was down 0.7% on the first quarter of 2004.

Only Japan was able to make headway in terms of production figures, up 4.2% to 2.4 million units.

Car production (thousand units)	1-3/05
Domestic	1,318
Change compared with prev. year in %	- 1.0
Western Europe	4,457
Change compared with prev. year in %	- 2.9
NAFTA*	1,667
Change compared with prev. year in %	- 0.7
Japan	2,411
Change compared with prev. year in %	+ 4.2

* excl. Sport Utility Vehicles

Figures for production and new vehicle registrations have been taken from sources available in the public domain. No guarantee can be given as to their accuracy.

Commercial vehicle production figures showed a pleasing trend in the first quarter of 2005. In Germany, figures for commercial vehicles weighing up to 6 tons were up 11.0% and figures for commercial vehicles weighing over six tons were up 25.0%. German commercial vehicle exports returned growth rates of between 12.0% (up to 6 t) and 5.0% (over 6 t).

New car registrations also fell globally in the first quarter.

In Germany, only 0.8 million new vehicles were registered, a 2.0% drop on the comparative period in the previous year.

In Western Europe, new registrations were down 2.4% to 3.7 million units.

New car registrations in the NAFTA region stood at 4.5 million, slightly down on the figures for the first quarter of 2004 even taking into account Light Trucks.

New registrations in Japan dropped 1.0% to 1.5 million units.

New car registrations (thousand units)	**1-3/05**
Domestic	749
Change compared with prev. year in %	- 2.0
Western Europe	3,727
Change compared with prev. year in %	- 2.4
NAFTA*	4,493
Change compared with prev. year in %	- 0.1
Japan	1,450
Change compared with prev. year in %	- 1.0

* incl. Sport Utility Vehicles

The proportion of diesel vehicles among new registrations in Germany, which is key for ElringKlinger with its high market penetration in the diesel segment, was up 3.5% in the first quarter to the current level of 44.5%. However, the proportion of diesels in Germany was down considerably following the particulate matter talks in March.

These talks on EU particulate matter limits were unique to Germany and did not take place in other Western European countries. The proportion of diesel vehicles among new registrations in Western Europe increased by a substantial 8.0% in the first quarter.

Sales

At €117.0 million, net sales at the ElringKlinger Group for the first quarter of 2005 were down slightly on the previous year (€117.6 million). The main cause of this stagnation was the global weakness of the automotive markets, which ElringKlinger was not able to elude altogether. The number of working days also had an important effect, as the first quarter of 2005 had 2 fewer working days than the first quarter of 2004. Adjusted for this effect, sales would have been up around 2.5%. The fact that some customers closed their plants in March 2005 for the Easter holidays also had a negative impact.

The sales trend differs in the individual regions.

In Germany, sales fell slightly from €43.7 million to €43.1 million. The drop in production figures at German passenger car manufacturers has also resulted in fewer orders for ElringKlinger, but the company outperformed the market in Germany nevertheless. This success is down to the high market penetration in the commercial vehicles sector and in the growing diesel segment, which was not so badly affected by the decline in the first two months of 2005.

The sales trend throughout the rest of Europe was pleasing, up €2.4 million to €41.3 million. ElringKlinger consolidated its market share in Europe. This is particularly true of the shielding components division, where the first quarter heralded the launch of new products. Another key factor for sales growth is Elring-Klinger's large share in the European commercial vehicles market.

The NAFTA region had to absorb a 12.0% drop in sales to €18.4 million. The current weakness of the US automotive manufacturers had a clear impact here. The ElringKlinger companies in the USA, Canada and Mexico won fewer orders than scheduled.

In Asia, sales were down €1 million to €8.8 million. This is due largely to the muted demand in China, where state support schemes for new vehicle purchases were rescinded at the end of the year in an attempt to curb the overheating of the Chinese economy.

In South America and other regions in the world, sales were up from €4.3 million to €5.4 million. This growth was due largely to the positive development of the Brazilian subsidiary, which is constantly expanding its product range. This resulted in more new orders being generated in 2004, and these are delivering in 2005.

Sales by Region

	1st Quarter 2005	1st Quarter 2004	Change
	€000s	€000s	%
Germany	43.1	43.7	-1.4
Rest of Europe	41.3	38.9	+ 6.2
NAFTA	18.4	20.9	- 12.0
Asia	8.8	9.8	- 10.2
South America/Rest of the World	5.4	4.3	+ 25.6
Total	**117.0**	**117.6**	**- 0.5**

Earnings

EBIT for the ElringKlinger Group in the first quarter of 2005 totaled €20 million, up 2.0% on the previous year (€19.6 million). R&D costs had an impact here, with a €0.8 million increase to €7.0 million. Work on several new products that are set to go into series production over the next few years necessitated the increased expenditure on development.

At €18.5 million, pre-tax earnings were up 2.8% on the previous year. ElringKlinger also reduced its indebtedness still further compared with last year. Loans were repaid and interest payments fell as a result.

At €11.6 million, the net income for the quarter was up 2.7% on the previous year (€11.3 million).

Overall, ElringKlinger held its own in the first quarter in the face of a difficult economic climate. Although net sales remained at the level of the previous year, the company was able to increase earnings. Streamlining effects, strict cost controls and an improved product mix are the driving force behind this increase.

DVFA Earnings

DVFA pre-tax earnings at the ElringKlinger Group in the first quarter of 2005 amounted to €16.6 million, an increase of 3.2% on the same period in the previous year (€16.1 million).

Earnings per share were €1.73 compared with €1.67 in the first quarter of 2004, an increase of 3.6%.

Cash flow according to DVFA totaled €20.0 million in the first quarter of 2005, which represents a 3.6% increase on the €19.3 million achieved in the same period of the previous year.

Consolidated balance sheet

At €432.1 million to the end of the quarter, the balance sheet total for the ElringKlinger Group is up €8.2 million on December 31, 2004 (€423.9 million).

On the assets side, trade receivables posted under short-term assets increased by

€13.9 million. This trend is typical for the season, as trade receivables are often settled at the end of the year, even those with a longer term of payment from the automotive manufacturers. In contrast to this development in trade receivables, liquid funds are down €5.6 million.

On the liabilities side, equity was up €13.0 million on the figures at December 31, 2004, to €176.9 million. A key factor here is group equity, which is up €10.4 million. The equity ratio is therefore 40.9%.

In terms of long-term debts, €2.6 million was repaid as scheduled.

Short-term debts were scaled back by €2.0 million. The €2.5 million reduction in short-term loans, the €2.6 million reduction in trade payables and the €3.1 million reduction in other short-term debts are in contrast to the €6.2 million increase in short-term provisions.

Consolidated Statement of Changes in Financial Position

Cash flow from ordinary activities totaled €7.0 million at the end of the first quarter of 2005, compared with €11.9 million in the previous year. Although the outflow of funds for inventories and trade receivables at €13.6 million was less than the previous year, the €6.7 million reduction in trade payables and other liabilities resulted in a considerably higher outflow of funds than in the previous year.

Cash flow from investment transactions amounted to €-7.2 million, compared with €-10.2 million in the previous year. The main items here are investments in assets, which were scaled back on the previous year as scheduled.

Cash flow from financial transactions was €-5.5 million at March 31, 2005, compared with €-7.0 million in the previous year. The €1.5 million drop in liabilities to banking institutions had an impact here.

Funds totaled €3.8 million at March 31, 2005, compared with €3.4 million in the previous year.

Investments

The ElringKlinger Group invested a total of €7.2 million in tangible assets in the first quarter of 2005. The focus was on streamlining measures. Systems were purchased to increase capacity, in the shielding components division in particular. There was no significant investment in intangible assets in the quarter under review.

This will also allow ElringKlinger to consolidate its position as a systems supplier for modules in the areas of special-purpose gaskets and shielding components.

The "New Business Fields" division established following the overhaul of the Management Board in January 2005 delivered important impetus to the development of new, innovative and technologically advanced products within the ElringKlinger Group. In the future, the company intends to use the products developed in this division to further consolidate its position as a technological market leader and expand its product range.

Research & Development

Research & Development costs in the first quarter of 2005 totaled €7.0 million, a 12.9% increase on the first quarter of 2004. The company pressed ahead with the development of new products in the plastic housing modules division and in the field of valve plates for automatic transmissions.

During the reporting period, a development order was won in the field of urea injection for exhaust aftertreatment in heavy commercial vehicles. ElringKlinger is developing a holder with shielding component that should be manufactured and delivered as a complete module.

A major client commissioned the development of a shielding component system assembly in the field of fuel injection.

Employees

At March 31, 2005, the ElringKlinger Group employed 3,128 employees worldwide, 14 more than the figure at December 31, 2004. The number of employees at foreign subsidiaries and stockholdings increased by 29 to 1,098 (end of 2004: 1,069). The reason for this increase is that employees from the Jeil Elring, South Korea, and ElringKlinger-Marusan, Japan, joint ventures have been included in the proportional consideration of employees for the first time, and there have also been new appointments in the growing location Brazil. There were 2,030 employees working in Germany, 15 fewer than at December 31, 2004.

Streamlining measures have meant that short-term employment contracts were not extended.

Key Events

On January 27, 2005, Mr. Sebastian Merz announced to the Supervisory Board his intention to step down from the Management Board and his position as Chairman. The Supervisory Board accepted his resignation. Mr. Karl Schmauder and Dr. Stefan Wolf were appointed to the Management Board with effect from January 27, 2005. Dr. Wolf was named Spokesman of the Management Board.

Outlook

ElringKlinger anticipates only limited economic demand stimuli for the rest of the year. The automotive markets are likely to suffer from buying restraint, due largely to the high fuel prices, but also partly due to market saturation. The weak dollar will have a negative impact on exports, which are key for the European vehicle markets. Momentum in Asia will not continue at the growth rates achieved in 2004, but remains at a high level.

Sales at the ElringKlinger Group will continue improve on last year despite difficult conditions in 2005. Production of new products, in the second half of the year in particular, and the increasing demand for diesel vehicles in Europe will play a key role here. The new "control plate for automatic transmission", to be introduced in the fourth quarter, will also deliver its first moderate income.

The initiative launched in the USA to give diesel vehicles the same tax benefits as hybrid and electronic vehicles is also a pleasing development. As a specialist in gaskets for diesel engines, ElringKlinger anticipates good opportunity for further organic growth as a result.

High raw materials prices will continue to have a negative impact, for steel in particular. However, ElringKlinger still anticipates a certain easing of the tension during 2005. ElringKlinger partially addressed the increased price pressure from customers with additional streamlining measures.

On the basis of current knowledge, ElringKlinger is also likely to achieve growth in sales and earnings in 2005, despite the difficult economic conditions.

ElringKlinger Stock

ElringKlinger stock again delivered a pleasing performance in the first quarter of 2005. The price at the start of the quarter was €59.54, which was also the low for the first quarter. The stock price reached an all-time high on February 2, at €72.23. The price at the end of the quarter on March 31 was €68.00, which represents a 14.2% increase throughout the quarter. The SDAX was up 13.3% in the same period, and the DAX was up only 1.3%.

The liquidity of the stock increased in the first quarter. The average number of shares traded daily on the stock exchange was slightly more than 10,000. This has increased the chances of progressing to the MDAX.

ElringKlinger AG's free float also increased again in the first quarter. A major stockholder offered additional shares at the start of January. This increased the free float to 44.3%.

ElringKlinger is proposing a dividend of €1.75 per share for 2004. 25 cents more than last year (adjusted for the effects of the capital increase from corporate funds) is set to be distributed, representing an increase of 16.7%.

ElringKlinger's ongoing work in the area of Investor Relations continued in the first quarter of 2005. In addition to road shows in Frankfurt and London, during the reporting period the company also took part in an international analysts and investors conference in Frankfurt. ElringKlinger also kept its stockholders and investors informed about the company's strategy and growth potential through a series of individual discussions.

In the first quarter, other banks included ElringKlinger in their regular corporate reports. Eleven banks are currently monitoring the company on an ongoing basis, creating reports and making recommendations about the stock.

Dividend

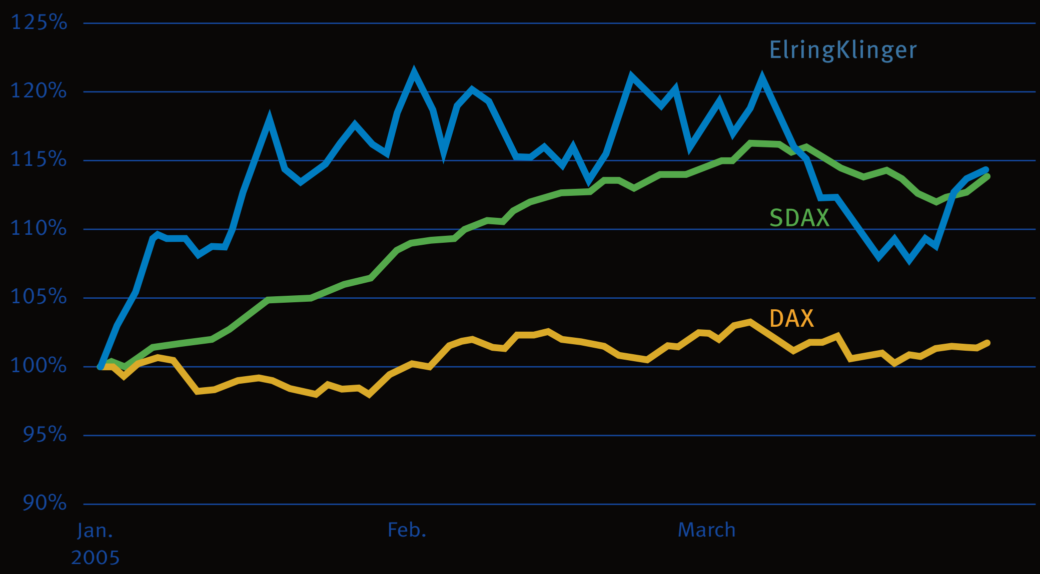
The Management Board and the Supervisory Board will propose to the 100th annual general meeting of ElringKlinger AG stockholders on June 8, 2005 the following appropriation of profit for the 2004 fiscal year: the balance sheet profit of €16,800,000 posted at December 31, 2004 will be used to fund distribution of a dividend of €1.75 per share.

Stockholdings, Corporate Officers

	Number of Shares
Management Board	
Karl Schmauder	400
Supervisory Board	
Karl Uwe van Husen	1,500
Dr. Thomas Klinger-Lohr	479,990[1]
Walter Herwarth Lechler	2,429,650[2]
Rolf Rauscher	70

[1] held via Betal Netherlands B.V. Rotterdam
[2] including stock held via controlled joint stock corporations

Comparative Development of Stock Price from January 1, 2005:
ElringKlinger Stock (XETRA); SDAX; DAX



ElringKlinger – Worldwide

ElringKlinger is currently represented
in 14 countries across the globe, with 20 operations
in all the key automotive markets.

Consolidated Balance Sheet in Line with IFRS

ASSETS	At Mar. 31, 2005	At Dec. 31, 2004
	€000s	€000s
Intangible assets	30,600	30,888
Tangible assets	222,800	222,771
Long-term investments	5,200	4,571
Deferred tax assets	11,300	11,472
Long-term assets	**269,900**	**269,702**
Inventories	75,100	75,624
Trade receivables	77,400	63,494
Other short-term assets	4,100	3,842
Other securities	1,800	1,800
Liquid funds	3,800	9,443
Short-term assets	**162,200**	**154,203**
	432,100	423,905

LIABILITIES	At Mar. 31, 2005	At Dec. 31, 2004
	€000s	€000s
Share capital	57,600	57,600
Capital in excess of par value	2,747	2,747
Retained earnings		
Revaluation reserves	26,181	26,181
Adjustments to allow for currency conversions	-5,650	-7,004
Group equity	79,809	69,422
Minority interests	16,257	14,977
Stockholders' equity	**176,944**	**163,923**
Pension provisions	49,200	48,883
Long-term provisions	13,600	13,623
Long-term loans	60,000	62,634
Deferred tax liabilities	36,300	36,796
Other long-term debts	10,500	10,539
Long-term debts	**169,600**	**172,475**
Short-term loans	22,500	25,017
Trade payables	18,600	21,157
Short-term provisions	20,856	14,679
Other short-term debts	23,600	26,654
Short-term debts	**85,556**	**87,507**
	432,100	423,905

Consolidated Income Statement

	1st Quarter 2005	1st Quarter 2004
	€000s	€000s
Net sales	117,000	117,600
Cost of sales	-76,700	-78,100
Gross earnings from sales	**40,300**	**39,500**
Distribution costs	-8,600	-8,400
Administrative costs	-5,700	-5,400
Research and development costs	-7,000	-6,200
Other operating income	1,000	500
Other operating expenses	-900	-400
Operating result	**19,100**	**19,600**
Interest charges/income	-1,500	-1,600
Other financial results	900	0
Earnings before taxes on income	**18,500**	**18,000**
Net earnings	-6,900	-6,700
Group net earnings	**11,600**	**11,300**

Transfer of Consolidated Net Income HGB to IFRS

	January 1 to March 31, 2004	January 1 to December 31, 2004
	€000s	€000s
Consolidated net income HGB	**11,300**	**42,643**
Depreciation of fixed assets	-400	-1,640
Goodwill amortization	578	2,313
Development costs	22	345
Pension provisions	-260	-2,584
Proportional consolidation	60	-90
Currency conversion	0	139
Deferred taxes	0	-322
Other	0	-402
Consolidated net income IFRS	**11,300**	**40,402**

DVFA Earnings in Line with IFRS

	1st Quarter 2005	1st Quarter 2004
DVFA pretax income in € millions	16.6	16.1
DVFA net income in € millions	10.4	10.0
DVFA/SG earnings per share in €	1.08	1.04
DVFA cash flow in € millions	20.2	19.6

Performance by Market Segment

1st Quarter 2005/1st Quarter 2004 (in € millions)

	Net sales		Intersegment sales		Consolidation adjustments		External sales		Earnings before taxes on income	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Original Equipment	99.0	100.9	-4.1	-4.1	-14.8	-14.5	80.1	82.3	11.1	11.0
		-1.9 %		0.0 %		2.1 %		-2.7 %		0.9 %
Spare Parts	24.0	24.4	0.0	0.0	-2.9	-3.2	21.1	21.2	3.7	3.8
		-1.6 %				-9.4 %		-0.5 %		-2.6 %
Engineered Plastics	13.8	12.5	0.0	0.0	-0.5	-0.5	13.3	12.0	3.0	2.6
		10.4 %				0.0 %		10.8 %		15.4 %
Industrial Parks	1.8	1.5	0.0	0.0	0.0	0.0	1.8	1.5	0.5	0.4
		20.0 %						20.0 %		25.0 %
Services	1.8	1.7	0.0	0.0	-1.1	-1.1	0.7	0.6	0.2	0.2
		5.9 %				0.0 %		16.7 %		
Total	**140.4**	**141.0**	**-4.1**	**-4.1**	**-19.3**	**-19.3**	**117.0**	**117.6**	**18.5**	**18.0**
		-0.4 %		0.0 %		0.0 %		-0.5 %		2.8 %

The only major internal delivery and service relationships exist between the segments "Original Equipment" and "Spare Parts" as well as between the segments "Original Equipment" and "Services".

More than 10 percent of group sales were made with each three clients in the "Original Equipment" segment. Overall, these three clients accounted for some 40% of group sales.

Investments (intangible/tangible assets)		Depreciation allowances		Net interest income/loss		Long-term assets		Short-term assets		Short-term & long-term liabilities	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
6.8	8.5	-8.5	-8.1	-1.3	-1.1	203.9	205.5	107.8	105.4	-199.5	-209.0
	-20.0 %		4.9 %		18.2 %		-0.8 %		2.3 %		-4.5 %
0.2	0.3	-0.1	-0.2	-0.1	-0.2	8.8	9.0	39.3	35.1	-24.3	-25.7
	-33.3 %		-50.0 %		-50.0 %		-2.2 %		11.9 %		-5.4 %
0.4	0.4	-0.4	-0.4	0.0	-0.1	18.9	19.0	13.7	11.8	-15.6	-14.5
	0.0 %		0.0 %		-100.0 %		-0.5 %		16.3 %		7.6 %
0.0	0.1	-0.3	-0.3	-0.1	-0.2	33.1	32.0	0.6	0.2	-13.3	-18.1
			0.0 %		-50.0 %		3.4 %		144.0 %		-26.5 %
0.1	0.3	-0.2	-0.2	0.0	0.0	5.2	5.9	0.8	0.6	-2.5	-2.3
			0.0 %				-11.9 %		36.5 %		8.4 %
7.5	**9.6**	**-9.5**	**-9.2**	**-1.5**	**-1.6**	**269.9**	**271.4**	**162.2**	**153.1**	**-255.2**	**-269.6**
	-21.9 %		3.3 %		-6.2 %		-0.6 %		6.0 %		-5.3 %

Changes in the Group's Equity Capitalization

1st Quarter 2005

	Subscribed share capital	Capital surplus	Revaluation reserves
	€000s	€000s	€000s
Status as at January 1, 2004	**28,800**	**12,553**	**26,181**
Adjustments to allow for consolidations			
Consolidated net income			
Status as at March 31, 2004	**28,800**	**12,553**	**26,181**
Status as at December 31, 2004	**57,600**	**2,747**	**26,181**
Adjustments to allow for consolidations			
Consolidated net income			
Status as at March 31, 2005	**57,600**	**2,747**	**26,181**

Transfer of Equity Capitalization HGB to IFRS

	At Jan. 1, 2004	At Mar. 31, 2004	At Dec. 31, 2004
	€000s	€000s	€000s
Equity HGB	**113,186**	**126,070**	**137,932**
Capitalization of development costs	1,315	1,337	1,656
Evaluation of fixed assets	55,815	55,993	55,049
Evaluation of inventories	1,330	1,228	1,584
Evaluation of trade receivables	1,052	1,211	1,040
Evaluation of pension provisions	-7,807	-8,067	-10,414
Proposal and evaluation of long-term provisions	1,151	1,200	2,669
Evaluation of financial liabilities	2,140	2,020	1,661
Deferred taxes	-26,367	-26,367	-26,388
Other	-4	265	-866
Equity IFRS	**141,811**	**154,890**	**163,923**

Group total capitalization	Adjustment to allow for foreign currency conversion	Stockholders' equity	Minority equity	Total stock-holders' equity
€000s	€000s	€000s	€000s	€000s
67,718	-7,174	128,078	13,733	141,811
	1,671	1,671	108	1,779
10,029		10,029	1,271	11,300
77,747	-5,503	139,778	15,112	154,890
69,422	-7,004	148,946	14,977	163,923
	1,354	1,354	67	1,421
10,387		10,387	1,213	11,600
79,809	-5,650	160,687	16,257	176,944

Consolidated Statement of Changes in Financial Position

	1st Quarter 2005	1st Quarter 2004
	€000s	€000s
Group net income for the fiscal year	**11,600**	**11,300**
Depreciation allowances on assets and earnings from disposals of assets, net of appreciations	9,429	9,047
Increase in inventories, trade receivables and other assets	-13,640	-15,847
Increase in trade payables and other liabilities	497	7,160
Foreign exchange effects on items related to ordinary activities	-879	270
Cash flow from ordinary activities	**7,007**	**11,930**
Income from sales of fixed assets	231	206
Disbursements for investments in fixed assets	-7,471	-9,554
Disbursements arising from sales of securities	0	-817
Cash flow from investment transactions	**-7,240**	**-10,165**
Changes in liabilities to banking institutions	-5,151	-6,740
Effects of foreign-exchange rates on items related to financial transactions	-369	-304
Cash flow from financial transactions	**-5,520**	**-7,044**
Changes in cash requiring expenditures or yielding disbursable income	-5,753	-5,279
Effects of changes in foreign-exchange rates on liquid assets	110	128
Funds on hand at the start of the fiscal years	9,443	8,551
Funds on hand at the end of the fiscal years	**3,800**	**3,400**

ElringKlinger – global development partner and original equipment manufacturer for cylinder head and special-purpose gaskets, housing modules and shielding components for engines, transmissions and exhaust systems. With our innovative technology for modern engines, we continue to set benchmarks in environmentally-friendly mobility and sustained, profitable growth.

Explanatory Notes to the First Quarter of 2005

Legal Basis

The interim financial statements at March 31, 2005 have been drawn up for the first time in line with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and in compliance with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and IFRS 1 “First-Time Adoption of International Financial Reporting Standards”. This interim report was produced on May 9, 2005 applying the IFRS and IFRIC guidelines in force on this date.

The information that follows constitutes explanations and comments that must be included as an appendix to the interim report in line with IFRS, and in particular in line with International Accounting Standard (IAS) 34 “Interim Financial Reporting” in addition to the balance sheet, income statement, statement of changes to stockholders’ equity and statement of changes in financial position.

The cost of sales method is applied for the income statement. The reporting currency is the euro.

Consolidated Companies

The interim report at March 31, 2005 includes the annual financial statements of four domestic and 15 foreign subsidiaries in addition to those of ElringKlinger AG. These subsidiaries are controlled by ElringKlinger AG, which holds majority voting rights.

In addition, the two joint venture companies Jeil Elring Co. Ltd., Changwon, South Korea, and ElringKlinger Marusan Corp., Tokyo, Japan, which were previously reported in accordance with the equity method, have been included in the consolidated financial statements for the first time by means of proportional consolidation.

In contrast to the previous method of commercial accounting, the IFRS interim financial statements at March 31, 2005 no longer evaluate Marusan Corporation, Tokyo, Japan, in accordance with the equity method; instead it is evaluated as a stockholding at the cost of acquisition.

The fiscal year for all incorporated subsidiaries corresponds to the fiscal year for the parent company.

Consolidation Principles

The individual financial statements of the companies included in the consolidated financial statements are drawn up in line with standard accounting and evaluation methods.

Differences on the assets side resulting from consolidation of capital are posted as goodwill and are subject to an annual impairment test. Goodwill arising from corporate acquisitions before April 1, 2004 is largely reported as assets. In some cases it is treated as reserves. According to the terms of IFRS 1, goodwill reported as assets is included in the IFRS opening balance with the book values reported on January 1, 2004 and allocations to reserves are retained.

Equity from subsidiaries that is apportionable to minorities is posted separately within the consolidated equity item.

With proportional consolidation, all assets and liabilities, expenditure and income relating to the joint ventures are included in the consolidated financial statements at the amount of the stockholding.

All receivables and payables, sales, other income and expenditure within the consolidated companies are eliminated. Interim earnings accrued from Group-internal deliveries in inventories are deducted.

Currency Conversions

In line with the functional currency concept, the financial statements of the foreign companies are converted into euro. As both the subsidiaries and the joint ventures operate independently in terms of fiscal, economic and organizational matters, the functional currency is the same as the company's respective national currency. In the consolidated financial statements, expenditure and income from the financial statements of incorporated companies that are drawn up in a foreign currency are converted into annual average rate, assets and debts at the reporting date rate.

Currency differences resulting from differing conversion rates between the balance sheet and the income statement or from the conversion of equity from subsidiaries are offset in equity against retained earnings without impacting profits. If an incorporated company is withdrawn from the consolidated companies, existing currency differences are dissolved and this is reflected in the income statement.

Foreign currency receivables and payables included in the individual financial statements of the consolidated companies are evaluated at the reporting date rate. Conversion differences are recorded in the income statement.

Exchange rates have developed as follows:

		Reporting date rate = 1 €		Average rate = 1 €	
		At Mar. 31, 2005	At Dec. 31, 2004	2005	2004
US dollars (USA)	USD	1.29580	1.36400	1.30759	1.24649
Pounds Sterling (United Kingdom)	GBP	0.68820	0.70630	0.68960	0.68005
Canadian dollars (Canada)	CAD	1.57200	1.65850	1.60594	1.61692
Real (Brazil)	BRL	3.46690	3.62010	3.44669	3.63681
Peso (Mexico)	MXN	14.51170	15.23110	14.61350	14.10772
RMB (China)	CNY	10.72470	11.2891	10.82309	10.31687
WON (South Korea)	KRW	1315.76004	1441.8800	1328.12002	1416.94417
Rand (South Africa)	ZAR	8.06000	7.6700	7.85057	7.9300
Yen (Japan)	JPY	138.40007	139.72	137.06897	134.04083
Forint (Hungary)	HUF	247.00018	245.8000	244.81542	250.46667
Zloty (Poland)	PLN	4.08600	4.0800	4.01687	4.51541

Accounting and Evaluation Principles

Intangible Assets

Research & Development Costs
Development costs are reported as assets provided all cumulative capitalization requirements in line with IAS 38 have been observed, in particular that reliable assessment of development costs is possible, there is proven technical feasibility and that future economic benefit is a possibility. Development costs will be amortized over five years. In line with IAS 38, research costs cannot be capitalized and are therefore reported as expenditure in the income statement.

Goodwill
Goodwill is reported as assets and is subject to special amortization provided such a need is identified.

Patents, Licenses, Software
Intangible assets that are acquired against payment or internally developed are, with the exception of goodwill, reported as assets, provided it is sufficiently probable that use of the asset will result in a future economic benefit and the cost of the asset can be reliably determined. The assets are reported at cost of acquisition or manufacture and are depreciated on a straight-line basis as scheduled depending on their useful life. The cost of manufacture of internally developed intangible assets is determined on the basis of traceable individual costs and proportionate overheads. The useful life of patents, licenses and software where the cost of acquisition exceeds €20,000 is ten years. Other software is depreciated over five years.

Tangible Assets

Tangible assets are evaluated at the cost of manufacture less scheduled, usage-specific, straight-line depreciation. The cost of manufacture of internally developed tangible assets is determined on the basis of traceable individual costs and proportionate overheads. Financing costs for the period of manufacture are not included. The revaluation method, which is also permitted, is not applied.

Low-value commodities where the cost of acquisition or manufacture does not exceed €410 are depreciated in full in the year of acquisition.

Scheduled depreciation is based on the following Group-internal useful lives:

	In years
Land and buildings	15 to 40
Manufacturing equipment and machinery	12 to 15
Product-specific tools	3
Plant and office furnishing	5 to 15

Real Estate Held as a Financial Investment

Real estate held as a financial investment is evaluated in the same way as tangible assets, i.e. at the lower of cost or market – the cost of acquisition or manufacture less scheduled, usage-specific straight-line depreciation or the market value. The real estate is posted separately under tangible assets.

The useful life of real estate held as a financial investment is 20 years for exterior facilities and 40 years for buildings.

Leasing

In line with IAS 17, leasing agreements under the terms of which the ElringKlinger Group as the lessee essentially bears the opportunities and threats are treated as finance leases on conclusion of the leasing agreement. The leasing object is included under fixed assets at the lower of market value or cash value of the minimum lease payments. The leasing object is written down as scheduled in accordance with the straight-line method over the "Lease term" or "Useful life", whichever is shorter. Payment obligations resulting from future lease rentals are posted as liabilities under other liabilities.

Long-Term Investments

Long-term investments are restricted to the cost of acquisition less unscheduled amortization.

Derivative Financial Instruments

In the first quarter of 2005, derivative financial instruments were used to secure existing debts in foreign currency. These financial instruments are evaluated at market values. Profits and losses are reported in the income statement. Collateral relationships are not reflected in the balance sheet.

At March 31, 2005 there were only forward exchange transactions for collateralization of debts in Canadian and US dollars.

Deferred Taxes

In line with IAS 12, deferred taxes are determined in accordance with the balance sheet-focused liability method. In line with this method, deferred tax assets and liabilities are calculated for all temporary differences between tax and balance sheet valuations reported in line with IFRS as well as for consolidation measures posted on the income statement.

Deferred tax assets are calculated on the basis of taxation loss carryovers, provided realization of the same is probable.

Deferred taxes are determined on the basis of the income tax rates in force in the individual countries at the time of realization. Tax rate changes are taken into account provided it is sufficiently likely that they will come into force.

Inventories

Inventories are reported at the cost of acquisition or manufacture or the lower net sale value. Raw materials, tooling, fixtures, operating supplies and purchased saleable goods are reported at their rolled forward average, acquisition costs. The cost of manufacture for unfinished and finished products is determined on the basis of directly traceable individual costs and proportionate production-related overheads. The proportion of overheads is determined on the basis of normal use. The cost of manufacture does not include sales costs, general administrative costs or financing costs. Value discounts are made for discernable losses of value owing to faulty mobility and condition and to take account of reduced sale prices.

Trade Receivables and Other Short-Term Assets

Trade receivables and other short-term assets are not retained for commercial purposes. They are reported at the ongoing cost of acquisition. Value adjustments are made for discernable individual risks.

Provisions for Pensions

Provisions for pensions are determined in line with the projected unit credit method in accordance with IAS 19. With this method, expected increases in pensions and salaries are included in addition to the pensions and unearned future pensions known at the balance sheet date, including a cautious estimate of the relevant parameters. The calculation is based on actuarial advice taking into account biometric actuarial assumptions.

Actuarial profits and losses are treated as income if they fall outside a band of 10% of the scheduled provision for the previous year (expected DBO). Deviations of up to an additional 5% can therefore be provisioned immediately and at the full amount. Deviations of more than 15% are spread over ten years. If the average remaining working life of the employee entitled to the pension is less than ten years, the amount will be spread over this shorter remaining working life.

Other Long-Term and Short-Term Provisions

Other provisions will be taken into account insofar as a past event results in a current obligation to third parties which is likely to be enforced and where the anticipated volume of the required provision can be reliably estimated. These provisions are evaluated at full cost or on the basis of the amounts that are most likely to be required for fulfillment of the obligation. Claims for reimbursement are posted separately as assets if applicable.

Provisions with a remaining term of more than one year are posted at their discounted settlement rate on the balance sheet date.

Financial Liabilities

In line with IAS 39, financial liabilities are first reported at a cost of acquisition that corresponds to the applicable market value of the consideration received. Transaction costs are included. Once they have been posted for the first time, the financial liabilities are evaluated at the net book value.

Liabilities from financial leasing agreements are posted at the cash value of the lease rentals.

Net Sales

In line with IAS 18, net sales are realized if the main risks and rights to assets have been transferred, the sale price can be reliably determined and payment can be relied upon. This is generally the case when trade payables are cleared.

Net sales are posted less revenue drops and discounts.

Contingent Liabilities

The first quarter of 2005 did not see any substantial change to the contingent liabilities posted in the annual financial statements at December 31, 2004.

Dates

100th Annual General Meeting of the Stockholders in the Hegelsaal at the Kultur- und Kongresszentrum Liederhalle, Stuttgart, Germany 10.00 a. m.	June 8, 2005
Dividend Distribution	June 9, 2005
Capital Market Conference BW-Bank, Frankfurt, Germany	June 27, 2005
Report on the Financial Results for the 2nd Quarter and First Six Months of 2005	August 2005
Moscow International Motor Show, Moscow, Russia	August 24 – 28, 2005
Meetings with Investors, Helsinki, Oslo, Copenhagen	August 30 – 31, 2005
IAA International Motor Show, Frankfurt, Germany	September 15 – 25, 2005
CARAT (Auto Parts Fair), Kassel, Germany	October 8 – 9, 2005
EQUIP AUTO, Paris	October 13 — 18, 2005
German equity forum Autumn 2005, Frankfurt	November 22, 2005
Report on the Financial Results for the 3rd Quarter and First Nine Months of 2005	November 2005

We will be pleased to e-mail you our quarterly and semiannual reports in the form of PDF files. Simply drop us an e-mail at investor-relations@elringklinger.de or give us a call at +49-(0) 71 23/724-137 and let us have your e-mail address.

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